

Returns for 1996 Difficult To Interpret Due to Regional Yield Differences

For 1996, U.S. farmers planted wheat on 75.6 million acres and produced 2,285 million bushels, up 4.7 percent from 1995. However, harvested area and production of winter wheat dropped because of a harsh winter over major growing areas and drought conditions, especially in the Central States and Southwest. The area and production of spring wheat, including durum, increased because of mostly good to fair growing conditions until summer followed by dry weather at harvest time.

Nationally, wheat yields averaged 30.4 bushels per planted acre, down about 5 percent from 1995. Regionally, wheat yields declined 15 percent in the Central and Southern Plains and 25 percent in the North Central region. Yields were up some 6-17 percent in other regions.

Total cash costs of producing wheat rose 2.3 percent in 1996, while economic costs rose 6.2 percent. On a per bushel basis, total economic costs rose to \$5.94, up 11.6 percent from 1995, primarily due to the rise in production costs and low yields.

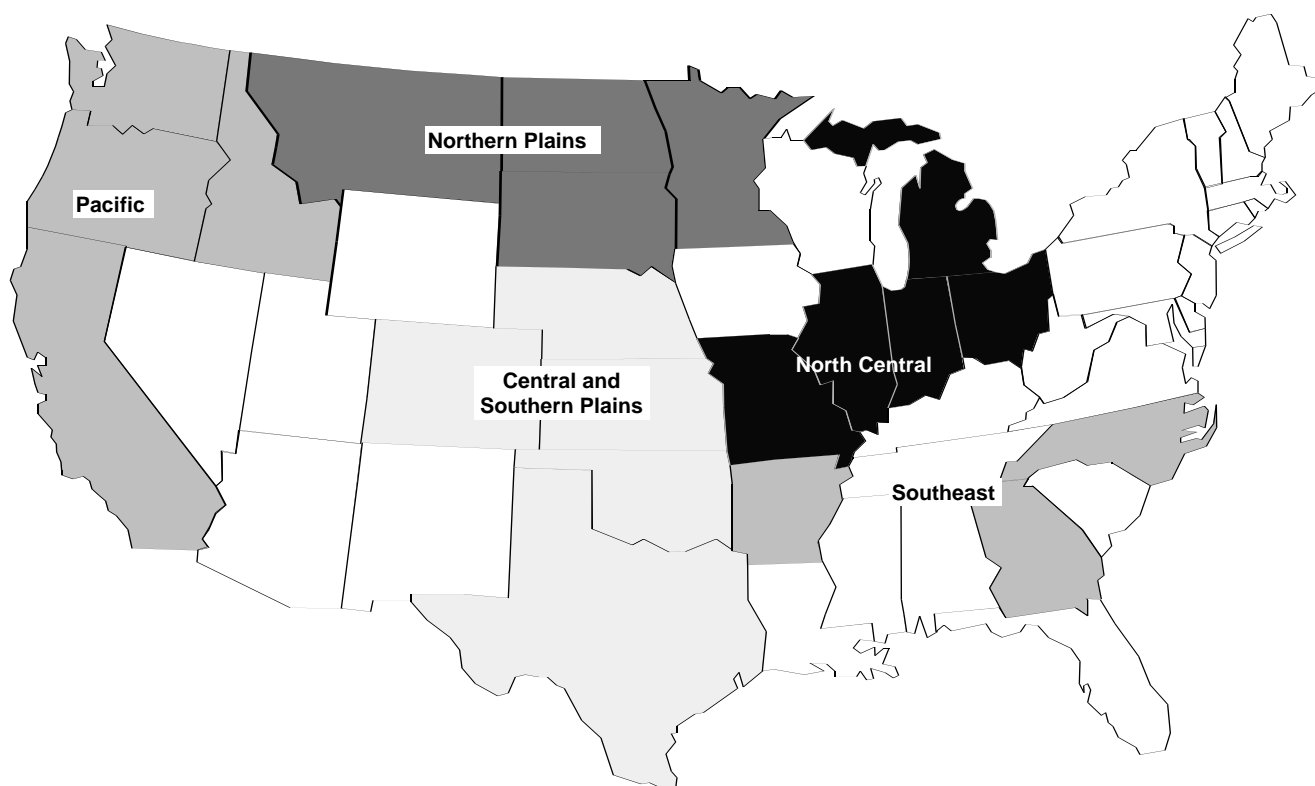
At the regional level, per acre cash costs rose from very little in the Central and Southern Plains to 6.5 percent in the Pacific region. Most of the cost increase was due to a rise in fertilizer and fuel prices and

higher wage rates. The Pacific region had the highest increase in per acre cash costs, primarily due to an intensive use of inputs on irrigated land. However, on a per bushel basis, cash costs increased in the North Central region and in the Central and Southern Plains, while they declined in other wheat-producing regions.

Total economic costs per bushel ranged from \$3.61 in the Southeast to \$7.60 in the Central and Southern Plains. Per bushel costs declined only in the Southeast, primarily due to a good wheat crop. The North Central region had the highest increase in per bushel economic costs, followed by the Central and Southern Plains.

Wheat returns over cash expenses are difficult to interpret due to regional yield differences. National average yields fell slightly, and net cash returns rose to \$50 an acre, up \$20 from 1995 due to offsetting higher wheat prices. Wheat farmers with a cost structure near the national average would have benefited from the rising returns. On the other hand, those farmers whose wheat crop was damaged and who had yields substantially below the national average would not have seen such high returns. Gross value of wheat production at harvest time covered cash costs plus capital replacement in every region. Total economic costs were covered only in the Southeast region.

Figure 8-3
Wheat production regions



Notes: Shading and patterns indicate production regions where producers were surveyed in 1994 about production practices and costs of production. Production regions are defined for each crop based on common cultural practices.

Table 8-3A—Wheat production cash costs and returns, excluding direct government payments, 1995-96

Item	United States		North Central		Southeast		Northern Plains		Central and Southern Plains		Pacific	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>												
Gross value of production (excluding direct government payments):												
Wheat	130.23	146.94	206.39	141.90	146.99	219.66	120.59	143.56	95.56	105.09	254.75	332.18
Wheat straw	4.44	5.35	23.96	33.59	5.20	4.55	0.51	0.60	4.44	4.43	1.80	2.08
Total, gross value of production	134.67	152.29	230.35	175.49	152.19	224.21	121.10	144.16	100.00	109.52	256.55	334.26
Cash expenses:												
Seed	7.57	9.26	14.09	16.59	13.20	14.71	7.44	8.93	5.30	6.79	10.06	11.94
Fertilizer, lime, and gypsum	20.89	21.11	43.66	45.32	36.91	38.21	15.34	15.63	17.37	16.72	32.88	34.74
Chemicals	5.86	6.23	0.90	0.94	6.93	7.42	7.98	8.27	2.90	3.06	15.10	16.00
Custom operations	5.96	5.35	4.75	4.04	6.91	7.35	2.59	2.72	9.08	7.79	7.06	7.90
Fuel, lube, and electricity	8.47	9.71	5.28	5.77	5.20	6.51	5.99	7.12	9.44	10.95	19.45	22.34
Repairs	12.20	13.26	9.13	9.45	9.54	11.57	12.51	14.09	11.53	12.03	18.12	19.60
Hired labor	4.01	4.69	1.93	2.06	7.21	7.92	2.30	2.39	4.15	5.18	11.76	15.35
Other variable cash expenses ¹	0.38	0.40	0.74	0.78	0.31	0.28	0.03	0.03	0.06	0.07	3.07	3.38
Total, variable cash expenses	65.34	70.01	80.48	84.95	86.21	93.97	54.18	59.18	59.83	62.59	117.50	131.25
General farm overhead	7.00	5.80	10.34	8.64	5.13	4.31	5.45	4.54	6.74	5.60	12.45	10.37
Taxes and insurance	10.08	10.02	15.29	15.38	12.04	11.68	8.83	8.67	8.46	8.36	17.23	17.68
Interest	10.94	9.63	10.47	9.22	5.97	5.29	10.68	9.39	10.85	9.54	14.93	13.31
Total, fixed cash expenses	28.02	25.45	36.10	33.24	23.14	21.28	24.96	22.60	26.05	23.50	44.61	41.36
Total, cash expenses	93.36	95.46	116.58	118.19	109.35	115.25	79.14	81.78	85.88	86.09	162.11	172.61
Gross value of production less cash expenses	41.31	56.83	113.77	57.30	42.84	108.96	41.96	62.38	14.12	23.43	94.44	161.65
Harvest-period price (dollars/bu)	4.08	4.84	3.78	4.16	3.44	4.41	4.31	4.86	4.02	5.21	4.19	4.81
Yield (bu/planted acre)	31.92	30.36	54.60	34.11	42.73	49.81	27.98	29.54	23.77	20.17	60.80	69.06

Table 8-3B—Wheat production economic costs and returns, excluding direct government payments, 1995-96

Item	United States		North Central		Southeast		Northern Plains		Central and Southern Plains		Pacific	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>												
Gross value of production (excluding direct government payments):												
Wheat	130.23	146.94	206.39	141.90	146.99	219.66	120.59	143.56	95.56	105.09	254.75	332.18
Wheat straw	4.44	5.35	23.96	33.59	5.20	4.55	0.51	0.60	4.44	4.43	1.80	2.08
Total, gross value of production	134.67	152.29	230.35	175.49	152.19	224.21	121.10	144.16	100.00	109.52	256.55	334.26
Economic (full ownership) costs:												
Variable cash expenses	65.34	70.01	80.48	84.95	86.21	93.97	54.18	59.18	59.83	62.59	117.50	131.25
General farm overhead	7.00	5.80	10.34	8.64	5.13	4.31	5.45	4.54	6.74	5.60	12.45	10.37
Taxes and insurance	10.08	10.02	15.29	15.38	12.04	11.68	8.83	8.67	8.46	8.36	17.23	17.68
Capital replacement	22.81	24.95	20.27	21.00	18.64	22.78	24.24	27.29	19.77	20.65	35.08	38.21
Operating capital	1.83	1.78	2.25	2.16	2.41	2.39	1.51	1.51	1.67	1.59	3.28	3.34
Other nonland capital	11.95	12.16	11.40	11.30	10.25	11.93	13.51	14.49	10.18	9.60	14.58	13.40
Land	42.51	46.40	50.62	44.38	20.00	25.90	43.02	46.35	32.29	34.36	89.16	111.33
Unpaid labor	8.51	9.36	8.81	9.38	6.41	6.75	5.92	6.34	9.90	10.66	13.91	19.20
Total, economic (full ownership) costs	170.03	180.48	199.46	197.19	161.09	179.71	156.66	168.37	148.84	153.41	303.19	344.78
Residual returns to management and risk	-35.36	-28.19	30.89	-21.70	-8.90	44.50	-35.56	-24.21	-48.84	-43.89	-46.64	-10.52
Harvest-period price (dollars/bu)	4.08	4.84	3.78	4.16	3.44	4.41	4.31	4.86	4.02	5.21	4.19	4.81
Yield (bu/planted acre)	31.92	30.36	54.60	34.11	42.73	49.81	27.98	29.54	23.77	20.17	60.80	69.06

¹Cost of purchased irrigation water and baling.

Source: Economic Research Service, U.S. Department of Agriculture.